

SENATE BILL REPORT

SHB 2590

As of Second Reading

Title: An act relating to extending the expiration of the pollution liability insurance agency's authority and its funding source.

Brief Description: Extending the expiration of the pollution liability insurance agency's authority and its funding source.

Sponsors: House Committee on Business & Financial Services (originally sponsored by Representatives Bailey and Buys; by request of Pollution Liability Insurance Agency).

Brief History: Passed House: 2/13/12, 97-1; 4/06/12, 93-1.

Committee Activity: Ways & Means: 2/23/12, 2/27/12 [DP, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Baumgartner, Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Honeyford, Kastama, Keiser, Kohl-Welles, Padden, Pridemore, Regala, Schoesler and Tom.

Minority Report: Do not pass.

Signed by Senator Holmquist Newbry.

Staff: Michael Bezanson (786-7449)

Background: The petroleum products tax is a tax on the first possession of a petroleum product in Washington. The current rate is 0.5 percent of the wholesale value of products derived from crude oil. The tax receipts are dedicated to the Pollution Liability Insurance Program Trust Account (PLT Account) to be used to finance the pollution liability insurance and underground storage tank community assistance programs. The petroleum products tax is suspended when the balance in the PLT Account exceeds \$15 million and is re-imposed when the PLT Account balance falls below \$7.5 million. The tax has been suspended since April 1, 2010. Under current law, the tax is scheduled to expire on June 1, 2013.

The pollution liability insurance program administered by Pollution Liability Insurance Agency provides secondary insurance to insurance companies that insure owners and

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operators of underground storage tanks (UST) and heating oil tanks. The UST community assistance programs provide financial assistance to public and private owners and operators of USTs who demonstrate serious financial hardship and may only be used for clean-ups and upgrades after a clean-up plan is filed with the Department of Ecology.

A pollution liability insurance fee of \$0.012 per gallon is imposed on dealers making sales of heating oil to a homeowner or a consumer which is deposited into the Heating Oil Pollution Liability Trust Account (HOPL). The account is dedicated for corrective action costs, third party liability claims, costs associated with claims administration, purchase of an insurance policy, and administrative expenses of the program.

Summary of Bill: The current expiration dates for the petroleum products excise tax, the pollution liability insurance fee, the PLT Account, the HOPL account, the UST program, and the home heating oil program is extended from July 1, 2013, to July 1, 2020. The rate of the tax is lowered from 0.5 to 0.3 percent.

For petroleum products introduced at the rack, the wholesale value is determined when the petroleum product is removed at the rack unless the removal is to a licensed exporter for direct delivery to a destination outside of the state. In all other circumstances, the wholesale value is determined upon the first nonbulk possession in the state.

Several new definitions are added. Rack is defined as a mechanism for delivering petroleum products from a refinery or terminal into a truck, trailer, railcar, or other means of non-bulk transfer.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony: PRO: The bill simply extends the expiration date for these programs. These programs have been around for a long time and have helped many people in our state. The programs help small businesses obtain insurance and provide insurance coverage that otherwise would not exist or would be very expensive on the open market. Without the programs, small business couldn't afford the insurance coverage. The stakeholders have worked on this issue and have brought a bill that is agreed to by all parties.

The reduction of the tax from 0.5 percent to 0.3 percent should help stabilize the revenue rather than having a large increase. Moving the taxation point to the rack will make it similar to how the gas tax is assessed. This makes it easier and clearer to determine the value and the tax.

Persons Testifying: PRO: Representative Bailey, prime sponsor; Lynn Gooding, Pollution Liability Insurance Agency; Dave Ducharme, WA Oil Marketers Assn.; and Greg Hanon, Western States Petroleum Assn.